

Message Text

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ACTION EB-07

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TAGS: ENRG, IT, US

SUBJECT: US-ITALY BILATERAL ENERGY WORKING GROUP (EWG)

REF: (A) STATE 120691

(B) STATE 140649

1. SUMMARY: JUNE 16 DISCUSSION OF EWG PROGRESS WITH MFA ENERGY COORDINATOR MIGLIUOLO (PRIOR TO RECEIPT REFTL B) CONFIRMED EMPHASIS ON URANIUM FOR GOI NUCLEAR ENERGY BUILDING PROGRAM. FINANCING PLAYS SECOND FIDDLE FOR THE MOMENT. END SUMMARY.

2. JUNE 16 DISCUSSION BETWEEN ECONOMIC-COMMERCIAL MINISTER AND MIGLIUOLO AGAIN CONFIRMED THAT IN EWG CONTEXT, GOI ATTACHES HIGHEST PRIORITY TO SOLVING PROBLEMS ASSOCIATED WITH SUPPLY OF NATURAL AND ENRICHED URANIUM. REASON, ACCORDING TO MIGLIUOLO, IS THAT URANIUM AVAILABILITY IS CRUCIAL AND SOLUTIONS BEYOND ITALIAN CAPACITY. FINANCING, WHILE IMPORTANT, LIMITED OFFICIAL USE

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IS CONSIDERED DIFFERENT KIND OF PROBLEM WHICH COULD BE EXAMINED

LATER. NOTING DISCUSSIONS WITH MINISTER OF INDUSTRY DONAT CATTIN, MIGLIUOLO ASSURED EMBOFFS THAT ITALIAN NUCLEAR ENERGY PROGRAM WOULD BE APPROVED SHORTLY BY INTERMINISTERIAL ECONOMIC PROGRAMMING COMMITTEE (CIPE) ESSENTIALLY AS DESCRIBED DURING INITIAL EWG MEEGING. HE EXPRESSED PRIVATE DOUBTS THAT THE TIMETABLE COULD BE MET. DETAILS:

(A) NATURAL URANIUM: MIGLIUOLO NOTED SUBSTANTIAL SUPPLY UNCERTAINTIES DURING THE 1980'S. CONTACTS WITH ARGENTINA AND BRAZIL HAVE BEEN PROMISING; AS WELL, SIGNATURE ON CANADIAN URANIUM DEAL (OTTAWA 1978). AUSTRALIANS REMAIN A PROBLEM. MIGLIUOLO ASKED IF IT WOULD NOT BE POSSIBLE TO HAVE THE GUARANTEE OF URANIUM--ENRICHED OR NATURAL--FROM US STOCK-POLES.

(B) ENRICHED URANIUM: ECON-COMM MINISTER NOTED THAT US ABILITY TO BE FORTHCOMING IN THIS AREA WOULD DEPEND UPON PRESIDENTIAL ANNOUNCEMENT ON ADDITIONAL US ENRICHMENT CAPACITY. MIGLIUOLO NOTED THIS, AND SAID THAT US RESPONSE TO ITALY IN THIS AREA WOULD HAVE IMPORTANT EFFECT IN ITALIAN PURCHASING OF FUEL PROCESSING SERVICES. HE OBSERVED THAT THE USSR MIGHT HAVE ADDITIONAL CAPACITY, NOTING THAT HIS PAST CONTACTS WITH THE SOVIETS MIGHT SERVE HIM IN GOOD STEAD. MIGLIUOLO SAID HE PREFERRED TO EXERCISE THE USSR OPTION AS A MEASURE OF LAST RESORT DUE TO THE "POLITICAL" PRICE WHICH WOULD BE EXACTED.

(C) FINANCING: MIGLIUOLO PRAISED THE EXIM PRESENTATION AT THE INITIAL EWG MEETING, AND SAID THAT HE WAS FULLY AWARE OF EXIM'S LIMITATIONS. THE ECON-COMM MINISTER NOTED THE LACK OF MECHANISMS PERMITTING DIRECT USG FINANCING OF THE ITALIAN NUCLEAR PROGRAM. CONGRESSIONAL ACTION JUDGED EXTREMELY UNLIKELY. MIGLIUOLO AGREED THAT THE POLITICAL PROSPECTS IN THE US WERE SCARCELY PROMISING, AND SUGGESTED THAT OTHER MEANS MIGHT BE AVAILABLE: FOR INSTANCE, THE USG MIGHT ENCOURAGE US BANKS TO CONSIDER MORE CAREFULLY THE ITALIAN ENERGY PROGRAM. THE ECON-COMM MINISTER SUGGESTED THAT EVENTUALLY, DIRECT GOVERNMENT GUARANTEES MIGHT BE NECESSARY.

3. DOMESTIC ITALIAN HANDICAPS TO THE REALIZATION OF THE ITALIAN PROGRAM WERE BRIEFLY DISCUSSED, PARTICULARLY STATE-ELECTRICITY AUTHORITY ENEL'S DEFICIENT RATE STRUCTURE.

4. COMMENT. MIGLIUOLO'S REMARKS SUGGEST THAT HE BELIEVES, LIMITED OFFICIAL USE

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AND IS DISPOSED TO LET US BELIEVE, THAT PROGRESS ON URANIUM AND ENRICHMENT SERVICES MAY SUFFICE TO GIVE GOI WHAT THEY CONSIDER IS QUID PRO QUO FOR MSP. HE APPARENTLY RECOGNIZES THAT REACTOR FINANCING ISSUE IS TOO COMPLEX AND LONG-TERM TO BE PUT INTO THE HOPPER FOR NOW. VOLPE

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